

**REPORT OF THE AUDIT OF THE  
CLINTON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2003**



**CRIT LUALLEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CLINTON COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2003**

The Auditor of Public Accounts has completed the Clinton County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Cash balances increased by \$208,523 from the beginning of the year, resulting in a cash surplus of \$844,187 as of June 30, 2003.

#### **Debt Obligations:**

Capital lease principal agreement totaled \$11,312 as of June 30, 2003. Future principal and interest payments of \$11,436 are needed to meet this obligation.

#### **Report Comment:**

- Accurate Accounting Records Should Be Maintained For Jail Canteen

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Donnie McWhorter, Clinton County Judge/Executive

Members of the Clinton County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Clinton County, Kentucky, as of June 30, 2003, the statement of cash receipts, cash disbursements, and changes in cash balances - governmental fund type; the statement of cash receipts, cash disbursements, and changes in cash balances - proprietary fund type; and the related statement of cash flows - proprietary fund type for the year then ended. These financial statements are the responsibility of the Clinton County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Clinton County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity of Clinton County, Kentucky, as of June 30, 2003, and its revenues and expenditures and the cash flows of its enterprise fund for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Donnie McWhorter, Clinton County Judge/Executive  
Members of the Clinton County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated May 12, 2004, on our consideration of Clinton County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Clinton County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Accurate Accounting Records Should Be Maintained For The Jail Canteen

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
May 12, 2004



CLINTON COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

**Fiscal Court Members:**

Donnie McWhorter	County Judge/Executive
Phillip Parrigin	Magistrate
Billy K. Smith	Magistrate
Charlie Stearns	Magistrate
Sam Hadley	Magistrate
Jerry Lowhorn	Magistrate
Mickey Riddle	Magistrate

**Other Elected Officials:**

Wanda White	County Attorney
Gene Ferrill	Jailer
Jim Elmore	County Clerk
Jake Staton	Circuit Court Clerk
Kay Riddle	Sheriff
Billy Joe Coop	Property Valuation Administrator
Steve Talbott	Coroner

**Appointed Personnel:**

Dallas Sidwell	County Treasurer
Jo Ann Felkins	Occupational Tax Collector
Tuesday Davis	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

CLINTON COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	<u>Governmental Fund Type</u>		<u>Proprietary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 739,525	\$ 111,024	\$ 22,097	\$ 872,646
Total Assets	\$ 739,525	\$ 111,024	\$ 22,097	\$ 872,646
<u>Other Resources</u>				
Amounts to be Provided in Future Years for:				
Capital Lease (Note 4)	\$ 11,312			\$ 11,312
Total Other Resources	\$ 11,312	\$ 0	\$ 0	\$ 11,312
Total Assets and Other Resources	\$ 750,837	\$ 111,024	\$ 22,097	\$ 883,958

The accompanying notes are an integral part of the financial statements.

CLINTON COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2003  
(Continued)

	<u>Governmental Fund Type</u>		<u>Proprietary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Capital Lease (Note 4)	\$ 11,312	\$	\$	\$ 11,312
Payroll Liabilities	6,362			6,362
Total Liabilities	<u>\$ 17,674</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 17,674</u>
<u>Equity</u>				
Retained Earnings	\$	\$	\$ 22,097	\$ 22,097
Fund Balances:				
Reserved	31,572	111,024		142,596
Unreserved	701,591			701,591
Total Equity	<u>\$ 733,163</u>	<u>\$ 111,024</u>	<u>\$ 22,097</u>	<u>\$ 866,284</u>
Total Liabilities and Equity	<u><u>\$ 750,837</u></u>	<u><u>\$ 111,024</u></u>	<u><u>\$ 22,097</u></u>	<u><u>\$ 883,958</u></u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPE

CLINTON COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPE

For The Fiscal Year Ended June 30, 2003

	General Fund Type			
	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 981,252	\$ 1,274,726	\$ 116,347	\$ 52,878
Other Financing Sources:				
Transfers In	102,196	7,238	30,087	
Total Cash Receipts	<u>\$ 1,083,448</u>	<u>\$ 1,281,964</u>	<u>\$ 146,434</u>	<u>\$ 52,878</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 904,596	\$ 969,332	\$ 235,670	\$ 54,955
Other Financing Uses:				
Transfers Out	10,000	102,196		
Principal Paid On Capital Lease				
Total Cash Disbursements	<u>\$ 914,596</u>	<u>\$ 1,071,528</u>	<u>\$ 235,670</u>	<u>\$ 54,955</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 168,852	\$ 210,436	\$ (89,236)	\$ (2,077)
Cash Balance - July 1, 2002	<u>78,208</u>	<u>57,572</u>	<u>112,432</u>	<u>24,545</u>
Cash Balance - June 30, 2003	<u><u>\$ 247,060</u></u>	<u><u>\$ 268,008</u></u>	<u><u>\$ 23,196</u></u>	<u><u>\$ 22,468</u></u>

The accompanying notes are an integral part of the financial statements.



CLINTON COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPE  
 For The Fiscal Year Ended June 30, 2003  
 (Continued)

General Fund Type			Special Revenue Fund Type		
Ambulance Fund	Occupational Tax Fund	Sheriff's Fund	Community Development Block Grant - Learning Center Fund	Disaster and Emergency Services Fund	Forest Fire Fund
\$ 404,876	\$ 486,462	\$ 257	\$	\$ 14,756	\$ 887
300,000		105,000			250
\$ 704,876	\$ 486,462	\$ 105,257	\$ 0	\$ 14,756	\$ 1,137
\$ 647,630	\$ 17,178	\$ 111,465	\$	\$ 7,280	\$ 1,286
	505,250	7,325			
8,359					
\$ 655,989	\$ 522,428	\$ 118,790	\$ 0	\$ 7,280	\$ 1,286
\$ 48,887	\$ (35,966)	\$ (13,533)	\$	\$ 7,476	\$ (149)
55,114	99,748	18,181	1	16,994	169
\$ 104,001	\$ 63,782	\$ 4,648	\$ 1	\$ 24,470	\$ 20

The accompanying notes are an integral part of the financial statements.

CLINTON COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPE  
 For The Fiscal Year Ended June 30, 2003

	<u>Special Revenue Fund Type</u>		
	<u>911 Fund</u>	<u>Animal Control Fund</u>	<u>Totals (Memorandum Only)</u>
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$ 109,389	\$ 20,734	\$ 3,462,564
Other Financing Sources:			
Transfers In	<u>70,000</u>	<u>10,000</u>	<u>624,771</u>
Total Cash Receipts	<u>\$ 179,389</u>	<u>\$ 30,734</u>	<u>\$ 4,087,335</u>
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 148,410	\$ 147,880	\$ 3,245,682
Other Financing Uses:			
Transfers Out			624,771
Principal Paid On Capital Lease			<u>8,359</u>
Total Cash Disbursements	<u>\$ 148,410</u>	<u>\$ 147,880</u>	<u>\$ 3,878,812</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 30,979	\$ (117,146)	\$ 208,523
Cash Balance - July 1, 2002	<u>55,537</u>	<u>117,163</u>	<u>635,664</u>
Cash Balance - June 30, 2003	<u>\$ 86,516</u>	<u>\$ 17</u>	<u>\$ 844,187</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE



CLINTON COUNTY  
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund Type</u>
	Jail Canteen Fund
<u>Cash Receipts</u>	
Jail Canteen Receipts	<u>\$ 59,993</u>
Total Cash Receipts	<u>\$ 59,993</u>
<u>Cash Disbursements</u>	
Jail Canteen Expenditures	<u>\$ 58,038</u>
Total Cash Disbursements	<u>\$ 58,038</u>
Excess of Cash Receipts Over Cash Disbursements	\$ 1,955
Cash Balance - July 1, 2002	<u>20,142</u>
Cash Balance - June 30, 2003	<u><u>\$ 22,097</u></u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE





CLINTON COUNTY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund</u>
	<u>Jail Canteen</u>
Cash Flows From Operating Activities:	
Operating Income	<u>\$          1,955</u>
Net Cash Provided By Operating Activities	<u>\$          1,955</u>
Net Increase In Cash	\$          1,955
Cash and Cash Equivalents - July 1, 2002	<u>20,142</u>
Cash and Cash Equivalents - June 30, 2003	<u><u>\$         22,097</u></u>

The accompanying notes are an integral part of the financial statements.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Clinton County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Clinton County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Clinton County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Clinton County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Clinton County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Ambulance Fund, Occupational Tax Fund, and Sheriff's Fund.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Clinton County Special Revenue Fund Type includes the following county funds: Community Development Block Grant - Learning Center Fund, Disaster and Emergency Services Fund, Forest Fire Fund, 911 Fund, and Animal Control Fund.

3) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Clinton County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Clinton County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance – Budget (Continued)

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts and investments are stated at cost. The county considers certificates of deposit with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Clinton County Fiscal Court: Clinton County Industrial Authority.

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the Clinton County Fiscal Court participates in two joint ventures. The Albany-Clinton County Recreational Park Board is a joint venture with the City of Albany and the Clinton County Board of Education. The Tri-County Animal Control is a joint venture with Cumberland County Fiscal Court and Wayne County Fiscal Court.

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the county's agent in the county's name.

Note 4. Capital Lease Obligation

On March 24, 1999, Clinton County Fiscal Court entered into a capital lease agreement with Farmers Bank and Capital Trust in the amount of \$52,800. The funds were to be used to purchase an ambulance. The county was in substantial compliance with the lease agreement as of June 30, 2003. The lease matures in April 2004. The principal and contract income is to be paid quarterly based upon a 5.28% interest rate. The principal balance outstanding as of June 30, 2003 was \$11,312. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2004	<u>\$ 124</u>	<u>\$ 11,312</u>

CLINTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 5. Grants

A. Animal Control Shelter Grant

The Clinton County Fiscal Court was awarded a grant from the Commonwealth of Kentucky, Department of Agriculture in the amount of \$120,000 for the purpose of constructing a regional animal control shelter for the Tri-County Animal Control Board, which is a joint venture with Cumberland and Wayne County Fiscal Courts. As of June 30, 2002, the unexpended grant balance was \$116,050. During fiscal year 2003, the Clinton County Fiscal Court received no grant funds and expended grant funds of \$116,050. The unexpended grant balance as of June 30, 2003 was \$0.

B. Blacktop Grants

The Clinton County Fiscal Court was awarded state grants totaling \$578,089 from the Commonwealth of Kentucky, Transportation Cabinet for the purpose of blacktopping various county roads. During fiscal year 2003, the Clinton County Fiscal Court received and expended grant funds totaling \$578,089.

Note 6. Reserved Fund Balances

Reservations of fund balance represent amounts that are legally segregated for a specific purpose. The following funds had reserved fund balances.

A. General Fund Type

As of June 30, 2003, \$31,572 of fund balance of the General Fund Type was reserved because \$735 is the unexpended balance of the Industrial Park Sanitary Wastewater Lagoon grant and \$30,837 is the unexpended balance of emergency medical services grants.

B. Special Revenue Fund Type

As of June 30, 2003, \$111,024 of fund balance of the Special Revenue Fund Type was reserved for the following reasons: \$1 is the unexpended balance of the Community Development Block Grant, \$24,470 is the unexpended balance of a disaster and emergency services grant, \$20 is to be used to pay the fire protection monies collected to the state, \$86,516 is to be used for 911 Emergency, and \$17 is to be used for the animal control shelter.

Note 7. Insurance

For the fiscal year ended June 30, 2003, Clinton County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE





CLINTON COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 1,160,574	\$ 981,252	\$ (179,322)
Road and Bridge Fund	1,378,791	1,274,726	(104,065)
Jail Fund	106,600	116,347	9,747
Local Government Economic Assistance Fund	53,900	52,878	(1,022)
Ambulance Fund	400,000	404,876	4,876
Occupational Tax Fund	561,000	486,462	(74,538)
Sheriff's Fund		257	257
<u>Special Revenue Fund Type</u>			
Disaster and Emergency Services Fund	7,550	14,756	7,206
Forest Fire Fund	1,000	887	(113)
911 Fund	80,000	109,389	29,389
Animal Control Fund	30,717	20,734	(9,983)
Totals	<u>\$ 3,780,132</u>	<u>\$ 3,462,564</u>	<u>\$ (317,568)</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 3,780,132
Add: Budgeted Prior Year Surplus			665,466
Less: Other Financing Uses			<u>(8,359)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 4,437,239</u>

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SCHEDULE OF OPERATING REVENUE



CLINTON COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

GOVERNMENTAL FUND TYPE

<u>Revenue Categories</u>	<u>General Fund Type</u>	<u>Special Revenue Fund Type</u>	<u>Totals (Memorandum Only)</u>
Taxes	\$ 703,015	\$ 72,755	\$ 775,770
In Lieu Tax Payments	140,679		140,679
Excess Fees	2,438		2,438
Licenses and Permits	29,899		29,899
Intergovernmental Revenues	1,484,468	33,117	1,517,585
Charges for Services	452,015	36,773	488,788
Miscellaneous Revenues	496,367	1,542	497,909
Interest Earned	7,917	1,579	9,496
Total Operating Revenue	<u>\$ 3,316,798</u>	<u>\$ 145,766</u>	<u>\$ 3,462,564</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES





CLINTON COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

GENERAL FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 496,965	\$ 429,897	\$ 67,068
Protection to Persons and Property	825,425	693,543	131,882
General Health and Sanitation	72,707	20,769	51,938
Social Services	2,030	2,025	5
Recreation and Culture	51,050	34,482	16,568
Roads	1,232,595	853,378	379,217
Debt Service	3,141	218	2,923
Capital Projects	9,000	4,282	4,718
Administration	1,371,246	902,232	469,014
Total Operating Budget - General Fund Type	\$ 4,064,159	\$ 2,940,826	\$ 1,123,333
Other Financing Uses:			
Capital Lease Agreement- Principal on Lease	8,359	8,359	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 4,072,518</u>	<u>\$ 2,949,185</u>	<u>\$ 1,123,333</u>
SPECIAL REVENUE FUND TYPE			
Expenditure Categories	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 178,000	\$ 127,538	\$ 50,462
General Health and Sanitation	147,880	147,880	
Administration	47,200	29,438	17,762
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 373,080</u>	<u>\$ 304,856</u>	<u>\$ 68,224</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Donnie McWhorter, Clinton County Judge/Executive  
Members of the Clinton County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Clinton County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated May 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Clinton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- Accurate Accounting Records Should Be Maintained For The Jail Canteen

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clinton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Clinton County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying comment and recommendation.

- Accurate Accounting Records Should Be Maintained For The Jail Canteen



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
May 12, 2004

COMMENT AND RECOMMENDATION





CLINTON COUNTY  
COMMENT AND RECOMMENDATION

For The Fiscal Year Ended June 30, 2003

Accurate Accounting Records Should Be Maintained For The Jail Canteen

The jailer is maintaining daily cash checkout sheets and a receipts ledger, however, both are inaccurate and incomplete. Jail commissary sales are recorded on the daily checkout sheets, even though no cash is actually received. Jail commissary sales are deducted from inmate accounts. But the cash from inmate accounts is already in the jail commissary bank account. When money is received for inmate accounts, this money is deposited to the jail commissary bank account. The money received for inmate accounts is not always recorded on the daily checkout sheets and receipts ledger. Due to these problems, we were unable to determine the amount of receipts collected. In addition, the annual canteen report was not submitted to the county treasurer for fiscal year 2003.

KRS 441.135 states, "the jailer may maintain a canteen for the benefit of prisoners lodged in the jail and may assign such jail employees and prisoners to operate the canteen as are necessary for efficient operation. All profits from the canteen shall be used for the benefit or recreation of the prisoners. The jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account."

In addition, the Instructional Guide For County Budget Preparation And State Local Finance Officer Policy Manual lists minimum accounting and reporting standards as prescribed by the state local finance officer pursuant to KRS 68.210 and states that these standards are to be utilized by county jailers for jail canteen funds. These standards require that daily checkout sheets be prepared and daily deposits be made. They also state that a maximum of fifty dollars shall be used for start-up money for the next business day.

We recommend that a separate bank account be set up for inmate money. Jail commissary sales and housing fees should be transferred from the bank account for inmate money to the jail commissary bank account. Daily checkout sheets should be maintained for each bank account. The daily checkouts for each account should show total receipts by category and the amount of the deposit. A receipts ledger should also be maintained for each bank account. We believe maintaining a separate bank account for inmate money will allow for easier bookkeeping.

*Jailer Gene Ferrill's Response:*

*The Jail commissary already separates the accounts 1) INMATE'S Account 2) Commissary and Booking/Housing Fees Account.*

Auditor's Reply:

The jailer needs to implement accurate accounting records and implement our recommendations as noted above.

CLINTON COUNTY  
COMMENT AND RECOMMENDATION  
For The Fiscal Year Ended June 30, 2003  
(Continued)

PRIOR YEAR FINDINGS

In the prior year audit report, we reported the following comments and recommendations:

- The County Should Have A Written Agreement To Protect Deposits

This finding has been corrected.

- Accurate Accounting Records Should Be Maintained For The Jail Canteen

This finding has not been corrected and is repeated in the current report.

CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CLINTON COUNTY FISCAL COURT


For The Fiscal Year Ended  
June 30, 2003



**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**CLINTON COUNTY FISCAL COURT**

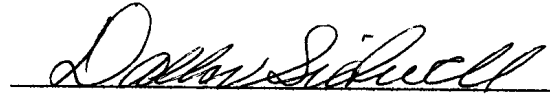
For The Fiscal Year Ended June 30, 2003

The Clinton County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

\_\_\_\_\_

Name

County Judge/Executive

\_\_\_\_\_

Name

County Treasurer



